

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Capital Area Transportation Authority		County Ingham	
Audit Date 9/30/05		Opinion Date 12/13/05		Date Accountant Report Submitted to State: 2/10/2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

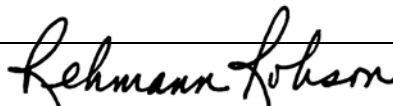
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA				
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI	Zip 48605
Accountant Signature 			Date 2/10/2005	

# **Capital Area Transportation Authority**



## **Financial Statements**

**For The Years Ended  
September 30, 2005 and 2004**



**REHMANN ROBSON**

*Certified Public Accountants*

# CAPTIAL AREA TRANSPORTATION AUTHORITY

For the Years Ended September 30, 2005 and 2004

## TABLE OF CONTENTS

---

	<u>PAGE</u>
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis .....	3-7
Basic Financial Statements:	
Statement of Net Assets .....	8
Statement of Revenues, Expenses and Changes in Net Assets .....	9
Statement of Cash Flows .....	10-11
Statement of Fiduciary Net Assets .....	12
Statement of Changes in Fiduciary Net Assets .....	13
Notes to the Financial Statements .....	14-29
Required Supplementary Information	
Schedules of Funding Progress and Employer Contributions:	
Union Employees' Retirement System.....	30
Administrative Employees' Retirement System.....	31
Supplementary Information	
Schedule of Operating Expenses .....	32
Schedule of Non-operating Revenues .....	33
Schedule of Expenses by Contract and General Operations .....	34
Schedule of Computations of Net Eligible Costs for General Operations .....	35
Schedule of Mileage Data .....	36
Schedule of Vehicle Hours and Passengers .....	37
Single Audit	
Schedule of Expenditures of Federal Awards .....	38-39
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	40-41
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	42-43
Schedule of Findings and Questioned Costs .....	44-45



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



## **INDEPENDENT AUDITORS' REPORT**

December 13, 2005

To the Board of Directors of the  
Capital Area Transportation Authority  
Lansing, Michigan

We have audited the accompanying financial statements of the major fund and the remaining fund information of the **Capital Area Transportation Authority** as of and for the year ended September 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the Capital Area Transportation Authority as of September 30, 2004, were audited by other auditors whose report dated December 22, 2004, expressed an unqualified opinion on those statements.

We also audited the adjustments described in Note III.F. that were applied to restate the 2004 and 2003 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2005 financial statements referred to above present fairly, in all material respects, the financial position of the major fund and the remaining fund information of the Capital Area Transportation Authority as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2005, on our consideration of the Authority's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the years ended September 30, 2005 and 2004 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The information on pages 32 through 35, inclusive and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the 2005 basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the 2005 basic financial statements taken as a whole. The information on pages 36 and 37 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION and ANALYSIS

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the year ending September 30, 2005**

The Management Discussion and Analysis ("MD&A") presents a narrative overview and analysis of the financial activities of the Capital Area Transportation Authority (Authority) for the year ended September 30, 2005. The MD&A is designed to assist readers of financial statements in focusing on significant financial activities and issues and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements as a whole.

## **FINANCIAL HIGHLIGHTS**

The Authority experienced an increase in net assets of \$.4 million, an increase of .9% over 2004, assisted by capital contributions from the Federal and State governments and increased fare revenue.

Overall revenues, including capital contributions, decreased from \$35.4 million in 2004 to \$34.8 million in 2005, a 1.7% decrease. The decrease was primarily the result of a \$1.7 million reduction in capital expenditures.

- Operating revenues increased \$531,484 or 10.2%.
- Non-operating revenues increased \$589,258 or 2.3%.
- Capital contributions decreased \$1,712,232 or 34.1%
- Operating expenses increased \$1,483,559 or 4.5%

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplemental information and compliance information.

The basic financial statements include two kinds of statements:

- The first statement is the Enterprise Fund, which tells how basic transportation services were financed in the short-term and what remains for future spending.
- The second statement is the Pension Trust Fund, which is a fiduciary fund. This statement provides information about the financial relationship in which the Authority acts as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the more significant information contained within the statements and provide more detailed data. The notes are followed by a series of required supplemental information that further explains and supports the financial statements. The compliance information provides data relating to the basic transportation services provided.

## **PROPRIETARY FUND STATEMENT**

The proprietary fund statement reports information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The balance sheet includes all of the Authority's assets and liabilities. The statement of revenues, expenses and changes in net assets accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

The net assets of the proprietary fund are reported in the balance sheet. Net assets – the difference between the Authority’s assets and liabilities – are one way to measure the Authority’s financial health or position. Over time, increases or decreases in the Authority’s net assets are one indicator of whether its financial position is improving or deteriorating. To assess the overall health of the Authority, you must also consider additional factors such as changes in the Authority’s tax base, the condition of its rolling stock and facilities and changes in Federal and State programs.

## **FIDUCIARY FUND STATEMENT**

The Authority administers pension plans which cover substantially all union and administrative employees. The Authority is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These activities are excluded from the proprietary fund financial statements because the Authority cannot use these assets to finance its operations.

## **NET ASSETS**

The Authority’s total net assets at September 30, 2005 were \$38.5 million, an increase of approximately \$.4 million or .9%. Total assets decreased \$1.0 million or 1.9% and total liabilities decreased \$1.3 million or 11.0%.

<b>CAPITAL AREA TRANSPORTATION AUTHORITY</b>			
<b>NET ASSETS (in thousands of dollars)</b>			
	<b>As of September 30,</b>		
	<b>2005</b>	<b>2004</b>	<b>% Change</b>
<b>ASSETS</b>			
Current assets	\$14,157	\$13,780	2.7%
Capital assets	35,203	36,560	-3.7%
<b>TOTAL ASSETS</b>	<b>49,360</b>	<b>50,340</b>	<b>1.9%</b>
<b>LIABILITIES</b>			
Current liabilities	4,803	5,437	-11.6%
Long-term debt	5,888	6,610	-10.9%
Other long-term liabilities	124	107	15.9%
<b>TOTAL LIABILITIES</b>	<b>10,815</b>	<b>12,154</b>	<b>-11.0%</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	28,594	29,327	-2.5%
Unrestricted net assets	9,951	8,859	12.3%
<b>TOTAL NET ASSETS</b>	<b>\$38,545</b>	<b>\$38,186</b>	<b>.9%</b>



## CHANGES IN NET ASSETS

The increase in net assets in 2005 was \$.4 million, compared to the \$2.4 million increase in 2004. (See table below.)

<b>CAPITAL AREA TRANSPORTATION AUTHORITY</b>			
<b>CHANGES IN NET ASSETS (in thousands of dollars)</b>			
	<b>As of September 30,</b>		
	<b>2005</b>	<b>2004</b>	<b>% Change</b>
<b>OPERATING REVENUE</b>			
Passenger fares	\$ 3,336	\$ 3,059	9.1%
Other	2,420	2,165	11.8%
<b>TOTAL OPERATING REVENUE</b>	<b>5,756</b>	<b>5,224</b>	<b>10.2%</b>
<b>OPERATING EXPENSES</b>			
Total operating expenses			
before depreciation	30,422	28,921	5.2%
Depreciation	4,008	4,025	-.4%
<b>TOTAL OPERATING EXPENSES</b>	<b>34,430</b>	<b>32,946</b>	<b>4.5%</b>
<b>OPERATING LOSS</b>	<b>(28,674)</b>	<b>(27,722)</b>	<b>3.4%</b>
<b>NONOPERATING REVENUES</b>			
Tax Revenue	11,579	10,948	5.8%
Government operating grants	13,598	13,813	-1.6%
Other	548	375	46.1%
<b>TOTAL NONOPERATING REVENUES</b>	<b>25,725</b>	<b>25,136</b>	<b>2.3%</b>
<b>NET LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	<b>(2,949)</b>	<b>(2,586)</b>	<b>14.0%</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>3,308</b>	<b>5,020</b>	<b>-34.1%</b>
<b>CHANGE IN NET ASSETS</b>	<b>359</b>	<b>2,434</b>	<b>-85.3%</b>
Total Net Assets, beginning	38,186	35,752	6.8%
<b>TOTAL NET ASSETS, ENDING</b>	<b>\$38,545</b>	<b>\$38,186</b>	<b>.9%</b>

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

During the 2005 and 2004 fiscal years, the Authority had invested \$3.3 million and \$5.0 million, respectively in capital assets from capital grants, including:

	<u>2005</u>	<u>2004</u>
Land	\$	\$ (196,543)
Building renovations	547,422	2,777,809
Revenue vehicles	1,838,491	1,902,740
Furniture and fixtures	234,004	222,501
Bus shelters	137,673	42,036
Equipment	549,929	271,208
<b>Total</b>	<b>\$ 3,307,519</b>	<b>\$ 5,019,751</b>

### Capital Area Transportation Authority capital assets (net of depreciation)

	<u>2005</u>	<u>2004</u>
Land	\$ 1,821,363	\$ 1,821,363
Buildings	14,262,417	14,566,024
Revenue vehicles	16,883,580	18,349,862
Furniture, fixtures and computers	685,831	654,794
Bus shelters and signs	297,833	172,963
Equipment	1,252,499	994,729
<b>Total</b>	<b>\$ 35,203,523</b>	<b>\$ 36,559,735</b>

More detailed information about capital assets can be found in Note II.B. to the financial statements.

### Long-term debt

At year end, the authority had \$6.6 million in long-term installment debt, a reduction of 10.9% from last year. More detailed information about the Authority's long term liabilities can be found in Note II.C. to the financial statements.

## FACTORS BEARING ON THE AUTHORITY'S FUTURE

At the time these financial statements were prepared and audited, the Authority was aware of one existing circumstance that could significantly affect its financial health in the future. For the fiscal year 2005, the Authority received approximately 28% of its funds used for operations from the State of Michigan. This funding was based on the Authority receiving 32.43% of its eligible operating expenses for urban service and 38.43% of its eligible operating expenses for non-urban service from the State compared to 35.21% and 42.24% respectively in fiscal year 2004. Effective October 1, 2005, the stated rates of reimbursement remained the same at 32.43% and 38.43% respectively. This rate of funding, however, is still less than the rates of 35.21% and 42.24% received in fiscal year 2004, and it is possible that budget constraints within the state could result in further reduction of this funding formula.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers, taxpayers and other interested parties with a general overview of the finances of the Capital Area Transportation Authority and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the Capital Area Transportation Authority at 4615 Tranter Ave., Lansing, MI 48910.

## BASIC FINANCIAL STATEMENTS

# Capital Area Transportation Authority

## Statements of Net Assets

	September 30,	
	2005	2004
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 385,393	\$ 486,199
Investments	10,215,428	8,859,277
Accounts receivable	336,004	251,958
Due from federal government	593,469	754,891
Due from state government	638,225	1,538,503
Due from local governmental units	501,502	255,500
Single business taxes receivable	156,645	172,175
Property tax receivable	88,791	90,893
Inventories	841,152	918,340
Prepaid expenses	400,339	452,551
Total current assets	<u>14,156,948</u>	<u>13,780,287</u>
Noncurrent assets:		
Capital assets not being depreciated	1,821,363	1,821,363
Capital assets being depreciated, net	33,382,160	34,738,372
	<u>35,203,523</u>	<u>36,559,735</u>
<b>Total assets</b>	<u>49,360,471</u>	<u>50,340,022</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	860,232	1,776,046
Accrued payroll	241,906	181,044
Accrued pension	467,294	387,289
Accrued interest	105,065	187,759
Accrued insurance	770,775	884,098
Accrued vacation, incentive and sick pay	844,820	784,258
Current portion of capital lease obligations	722,070	623,474
Other current liabilities	3,684	291,029
Reserve for workers' compensation claims	146,438	73,857
Reserve for health insurance costs	545,391	247,791
Unearned revenue	96,009	-
Total current liabilities	<u>4,803,684</u>	<u>5,436,645</u>
Long-term liabilities:		
Capital lease obligations, net	5,887,547	6,609,617
Accrued severance pay	124,646	107,854
Total long-term liabilities	<u>6,012,193</u>	<u>6,717,471</u>
<b>Total liabilities</b>	<u>10,815,877</u>	<u>12,154,116</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	28,593,906	29,326,644
Unrestricted	9,950,688	8,859,262
<b>Total net assets</b>	<u>\$ 38,544,594</u>	<u>\$ 38,185,906</u>

The accompanying notes are an integral part of these financial statements.

**Capital Area Transportation Authority**  
**Statements of Revenues, Expenses and Changes in Net Assets**

	<b>For the Year Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>Operating revenues</b>		
Linehaul	\$ 2,676,917	\$ 2,442,802
MSU extra services	1,341,629	1,344,715
Spectran	588,877	550,966
CATA rural service	63,664	57,149
Senior/handicapper shopping bus	6,885	7,619
Meridian Redi-Ride	276,033	226,890
Special services	297,099	482,071
Other revenues	504,810	112,218
Total operating revenue	<u>5,755,914</u>	<u>5,224,430</u>
<b>Operating expenses</b>		
Labor and fringe benefits	20,794,326	19,399,581
Services	1,374,021	1,342,462
Advertising	330,451	351,684
Materials, fuel and supplies	2,967,576	2,278,248
Utilities	406,114	362,410
Insurance and self-insured costs	934,829	1,580,205
Purchased transportation services	3,036,729	2,883,482
Miscellaneous	179,359	211,509
Interest	367,928	487,130
Leases and rentals	30,764	24,408
Depreciation	4,007,515	4,024,934
Total operating expenses	<u>34,429,612</u>	<u>32,946,053</u>
Operating loss	<u>(28,673,698)</u>	<u>(27,721,623)</u>
<b>Non-operating revenues</b>		
Tax revenue:		
Property tax	11,468,682	10,837,462
Single business tax inventory reimbursement	110,074	109,970
Government operating grants:		
Federal	1,037,509	1,006,400
State	9,750,295	10,011,699
Local	2,500,000	2,450,000
Planning and technical study grants	310,743	345,082
Investment income	224,565	69,330
Other non-operating revenue	322,999	305,666
Total non-operating revenues	<u>25,724,867</u>	<u>25,135,609</u>
Net loss before capital contributions	(2,948,831)	(2,586,014)
Capital contributions - grants	<u>3,307,519</u>	<u>5,019,751</u>
Change in net assets	358,688	2,433,737
Net assets, beginning of year	<u>38,185,906</u>	<u>35,752,169</u>
<b>Net assets, end of year</b>	<u><u>\$ 38,544,594</u></u>	<u><u>\$ 38,185,906</u></u>

The accompanying notes are an integral part of these financial statements.

# Capital Area Transportation Authority

## Statements of Cash Flows

	<b>For the Year Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>Cash flows from operating activities:</b>		
Receipts from operations	\$ 6,601,207	\$ 5,336,142
Payments to suppliers	(10,309,145)	(8,882,982)
Payments to employees	(20,794,326)	(19,395,484)
Net cash used by operating activities	(24,502,264)	(22,942,324)
<b>Cash flows from noncapital financing activities:</b>		
Federal operating grants	1,037,509	1,163,692
State of Michigan grants	10,061,038	9,843,519
Local non-operating revenues	14,401,755	14,513,088
Net cash provided by noncapital financing activities	25,500,302	25,520,299
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(2,651,303)	(4,225,696)
Proceeds from sale of capital assets	-	196,543
Capital contributed by governmental units	3,307,519	5,019,751
Repayment of capital lease obligation	(623,474)	(586,909)
Payments on notes payable	-	(483,837)
Net cash provided (used) by capital and related financing activities	32,742	(80,148)
<b>Cash flows from investing activities:</b>		
Purchases of investments	(1,356,151)	(2,398,429)
Investment income	224,565	62,710
Net cash used by investing activities	(1,131,586)	(2,335,719)
Net increase (decrease) in cash and cash equivalents	(100,806)	162,108
Cash and cash equivalents, beginning of year	486,199	324,091
<b>Cash and cash equivalents, end of year</b>	<b>\$ 385,393</b>	<b>\$ 486,199</b>

Continued...

**Capital Area Transportation Authority**  
**Statements of Cash Flows (Concluded)**

	<b>For the Year Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>		
Operating loss	\$ (28,673,698)	\$ (27,721,623)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	4,007,515	4,024,934
Changes in assets and liabilities:		
Receivables	749,284	111,712
Inventories	77,188	1,484
Prepaid expenses	52,212	(37,828)
Accounts payable	(915,814)	626,570
Accruals	22,204	(24,738)
Other current liabilities	(287,345)	48,330
Reserve for workers' compensation claims	72,581	(2,519)
Reserve for health insurance costs	297,600	31,354
Deferred revenue	96,009	-
<b>Net cash used by operating activities</b>	<b>\$ (24,502,264)</b>	<b>\$ (22,942,324)</b>

The accompanying notes are an integral part of these financial statements.



**Capital Area Transportation Authority**  
**Statements of Fiduciary Net Assets**

	<b>December 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Investments in insurance contracts	\$ 21,762,765	\$ 19,958,824
Accounts receivable	516,385	417,721
<b>Total assets</b>	<b>22,279,150</b>	<b>20,376,545</b>
<b>Net assets held in trust for pension benefits</b>	<b>\$ 22,279,150</b>	<b>\$ 20,376,545</b>

The accompanying notes are an integral part of these financial statements.

**Capital Area Transportation Authority**  
**Statements of Changes in Fiduciary Net Assets**

	<b>For the Year Ended December 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>Additions</b>		
Investment income:		
Contract investment income	\$ 956,207	\$ 1,013,921
Net appreciation in fair value of investments	337,068	46,556
Net investment income	<u>1,293,275</u>	<u>1,060,477</u>
Contributions:		
Employer	1,044,403	950,227
Plan members	643,747	645,374
Total contributions	<u>1,688,150</u>	<u>1,595,601</u>
Total additions	<u>2,981,425</u>	<u>2,656,078</u>
<b>Deductions</b>		
Participant benefits	1,034,216	741,658
Administrative expenses	<u>44,604</u>	<u>46,188</u>
Total deductions	<u>1,078,820</u>	<u>787,846</u>
Net additions to net assets held in trust	1,902,605	1,868,232
<b>Net assets held in trust for pension benefits:</b>		
Beginning of year, as restated	<u>20,376,545</u>	<u>18,508,313</u>
End of year	<u><u>\$ 22,279,150</u></u>	<u><u>\$ 20,376,545</u></u>

The accompanying notes are an integral part of these financial statements.

## NOTES to the FINANCIAL STATEMENTS

# CAPITAL AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

---

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The Capital Area Transportation Authority (CATA) is a public body organized as a legal entity pursuant to the Mass Transportation System Authorities Act, Public Act 55 of 1963. The Authority has the capability and authority to provide public transportation to the general public in the greater Lansing area. Its member municipalities include the cities of Lansing and East Lansing and the townships of Delhi, Delta, Lansing and Meridian. The Authority is also authorized by the Act to operate within certain service boundaries which include the counties of Ingham, Eaton and Clinton. The Authority has contracted with the County of Ingham to administer and manage transportation services to that area in the county not included in the municipalities listed above.

##### *Funds with Other Year-Ends*

Pension Trust Funds are reported on fiscal years ended December 31, 2004 and 2003.

#### B. Measurement focus, basis of accounting, and financial statement presentation

The proprietary fund and pension trust fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and entitlements. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The government accounts for its operations in a single enterprise fund. Additionally, the government reports pension trust funds that account for the activities of the Union and Administrative Employees pension plans.

# CAPITAL AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

---

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal revenues of the enterprise fund are charges to customers for sales and services. Property taxes and grants received to subsidize operations are classified as non-operating revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### C. Assets, liabilities and equity

#### 1. *Deposits and investments*

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Pension plan investments in unallocated insurance contracts are valued at contract value. All other investments of the Authority are stated at fair value.

State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

#### 3. *Inventories and Prepaid Items*

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

# CAPITAL AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

---

### 4. *Capital assets*

Capital assets, which include property, plant, and equipment, are reported in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-30
Revenue vehicles	4-12
Equipment	3-10

### 5. *Accrued vacation, incentive and sick pay*

It is the Authority's policy to not permit employees to accumulate unused vacation or sick time from year to year. The liability recorded at year-end represents earned vacation, incentive and sick time not paid.

### 6. *Accrued severance pay*

The Authority has recorded a liability for estimated benefits due to employees who had salaried and/or administrative status on May 1, 1990, and who are expected to retire at age 55 or older with at least 10 years of continuous service. Employees meeting these requirements are entitled to ninety days of pay.

# CAPITAL AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

---

### 7. *Property taxes*

Property taxes attach as an enforceable lien on property as of the date they are levied. The taxes are levied as of December 1 and become delinquent after February 14. In March, taxes on real property still delinquent are purchased by the County's Tax Revolving Funds. Property tax revenues are recognized by the Authority in the fiscal year for which the taxes are levied to the extent that they result in current receivables (i.e., are collected within 60 days after fiscal year-end).

## II. DETAILED NOTES ON ALL FUNDS

### A. Deposits and investments

The following is a reconciliation of deposit and investment balances as of September 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
<b>Statement of Net Assets:</b>		
Cash and cash equivalents	\$ 385,393	\$ 486,199
Investments	<u>10,215,428</u>	<u>8,859,277</u>
	<u><b>\$ 10,600,821</b></u>	<u><b>\$ 9,345,476</b></u>
 <b>Deposits and Investments:</b>		
Bank deposits	\$ 976,016	\$ 1,075,646
Investments	9,615,430	8,259,277
Cash on hand	<u>9,375</u>	<u>10,553</u>
	<u><b>\$ 10,600,821</b></u>	<u><b>\$ 9,345,476</b></u>

In addition, as of December 31, 2004 and 2003, the Authority reported investments in the Statement of Fiduciary Net Assets of \$21,762,765 and \$19,958,824, respectively.

# CAPITAL AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

---

The Authority chooses to disclose its investments by specifically identifying each. As of September 30, 2005, the Authority had the following investments.

	<b>Carrying Amount (Fair Value)</b>	<b><u>Maturity</u></b>	<b><u>Credit Rating</u></b>
GE commercial paper	\$ 500,000	10/31/2005	Moody's P-1
GE commercial paper	500,000	12/19/2005	Moody's P-1
U.S. Treasury Bills	495,865	12/29/2005	n/a
Governmental money market funds	<u>8,119,565</u>	n/a	n/a
<b>Total investments</b>	<b><u>\$ 9,615,430</u></b>		

As of September 30, 2004, the Authority had the following investments.

	<b>Carrying Amount (Fair Value)</b>	<b><u>Maturity</u></b>	<b><u>Credit Rating</u></b>
Governmental money market funds	<b><u>\$ 8,259,277</u></b>	n/a	n/a

The investments reported in the Statement of Fiduciary Net Assets were comprised entirely of investments in insurance contracts held by the Principal Financial Group.

### Deposit and investment risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings have been identified above for the Authority's investments.



# CAPITAL AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

---

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of September 30, 2005 and 2004, \$826,018 and \$1,189,284, respectively, of the Authority's bank balance of \$1,532,195 and \$2,016,883, respectively, was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Authority does not have a policy for investment custodial credit risk. As of September 31, 2005 and 2004, none of the Authority's investments, excluding the money market accounts, which are not subject to custodial credit risk, were exposed to risk since the securities are held in the Authority's name by the counterparty.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

# CAPITAL AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### B. Capital assets

Capital assets activity for the year ended September 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated -				
Land	\$ 1,821,363	\$ -	\$ -	\$ 1,821,363
Capital assets, being depreciated:				
Buildings	21,369,292	547,422	-	21,916,714
Vehicles	42,181,432	1,181,683	5,835,539	37,527,576
Furniture, fixtures and computers	2,638,891	237,146	-	2,876,037
Bus shelters and signs	754,589	137,673	-	892,262
Equipment	3,455,209	547,379	78,608	3,923,980
Total capital assets being depreciated	70,399,413	2,651,303	5,914,147	67,136,569
Less accumulated depreciation for:				
Buildings	6,803,268	851,029	-	7,654,297
Vehicles	23,831,569	2,647,966	5,835,539	20,643,996
Furniture, fixtures and computers	1,984,098	206,108	-	2,190,206
Bus shelters and signs	581,626	12,803	-	594,429
Equipment	2,460,480	289,609	78,608	2,671,481
Total accumulated depreciation	35,661,041	4,007,515	5,914,147	33,754,409
Total capital assets, being depreciated, net	34,738,372	(1,356,212)	-	33,382,160
<b>Total capital assets, net</b>	<b>\$ 36,559,735</b>	<b>\$ (1,356,212)</b>	<b>\$ -</b>	<b>\$ 35,203,523</b>

If capital assets purchased with governmental funds is withdrawn from mass transportation service, the Authority must remit to the government its proportionate share of the fair market value.

Depreciation expense for the years ended September 30, 2005 and 2004 was \$4,007,515 and \$4,024,933, respectively.

# CAPITAL AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

Capital assets activity for the year ended September 30, 2004, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated -				
Land	\$ 2,017,906	\$ -	\$ 196,543	\$ 1,821,363
Capital assets, being depreciated:				
Buildings	18,588,652	2,780,640	-	21,369,292
Vehicles	41,320,688	860,744	-	42,181,432
Furniture, fixtures and computers	2,372,586	266,305	-	2,638,891
Bus shelters and signs	712,554	42,035	-	754,589
Equipment	3,179,238	275,971	-	3,455,209
Total capital assets being depreciated	66,173,718	4,225,695	-	70,399,413
Less accumulated depreciation for:				
Buildings	6,110,396	692,872	-	6,803,268
Vehicles	20,954,126	2,877,443	-	23,831,569
Furniture, fixtures and computers	1,792,953	191,145	-	1,984,098
Bus shelters and signs	560,473	21,153	-	581,626
Equipment	2,218,160	242,320	-	2,460,480
Total accumulated depreciation	31,636,108	4,024,933	-	35,661,041
Total capital assets, being depreciated, net	34,537,610	200,762	-	34,738,372
Total capital assets, net	\$ 36,555,516	\$ 200,762	\$ 196,543	\$ 36,559,735

### C. Long-term debt

#### *Changes in Long-Term Debt*

Following is a summary of long-term debt activity for the year ended September 30, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases payable	\$ 7,233,091	\$ 6,609,617	\$ (7,233,091)	\$ 6,609,617	\$ 722,070
Accrued vacation, incentive and sick pay	784,258	1,347,404	(1,286,842)	844,820	844,820
Accrued severance pay	107,854	16,792	-	124,646	-
	<u>\$ 8,125,203</u>	<u>\$ 7,973,813</u>	<u>\$ (8,519,933)</u>	<u>\$ 7,579,083</u>	<u>\$ 1,566,890</u>

# CAPITAL AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### *Capital Lease Payable*

The Authority has entered into a lease agreement to purchase revenue vehicles. Capital leases outstanding as of September 30 are as follows:

	<b>Interest Rates</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>2005</b>						
GE Capital Public Finance	6.230%	\$ 7,233,091	\$ -	\$ (7,233,091)	\$ -	\$ -
Comerica Leasing Corporation	3.815%	-	6,609,617	-	6,609,617	722,070
		<u>\$ 7,233,091</u>	<u>\$ 6,609,617</u>	<u>\$ (7,233,091)</u>	<u>\$ 6,609,617</u>	<u>\$ 722,070</u>
<b>2004</b>						
GE Capital Public Finance	6.230%	<u>\$ 7,820,000</u>	<u>\$ -</u>	<u>\$ (586,909)</u>	<u>\$ 7,233,091</u>	<u>\$ 623,474</u>

Capital lease debt service requirements to maturity are as follows:

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2006	\$ 722,070	\$ 974,227	\$ 1,696,297
2007	749,617	974,227	1,723,844
2008	778,214	974,226	1,752,440
2009	807,903	974,226	1,782,129
2010	838,725	974,227	1,812,952
2011-2013	<u>2,713,088</u>	<u>2,922,680</u>	<u>5,635,768</u>
<b>Total</b>	<u><b>\$ 6,609,617</b></u>	<u><b>\$ 7,793,813</b></u>	<u><b>\$ 14,403,430</b></u>

Capital assets acquired under capital leases are included in vehicles as of September 30, as follows:

	<b>2005</b>	<b>2004</b>
Vehicles	\$ 8,972,974	\$ 8,972,974
Accumulated depreciation	<u>(2,363,357)</u>	<u>(1,739,883)</u>
	<u><b>\$ 6,609,617</b></u>	<u><b>\$ 7,233,091</b></u>

# CAPITAL AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### III. OTHER INFORMATION

#### A. Risk management

The Authority is exposed to various risks of loss related to assets; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Authority has established a limited risk management program for workers' compensation. An excess coverage insurance policy covers individual claims in excess of \$300,000, aggregate claims in excess of \$500,000 and maximum insurance of \$5,000,000.

Changes in workers' compensation claims liabilities are as follows:

	<b>For the Year Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
Estimated liability, beginning of year	\$ 73,857	\$ 76,376
Current year claims and changes in estimate	159,778	92,632
Claim payments	(87,197)	(95,151)
<b>Estimated liability, end of year</b>	<b>\$ 146,438</b>	<b>\$ 73,857</b>

Further, the Authority has established a limited risk management program for health and related benefits such as vision and dental. An excess coverage insurance policy covers individual claims per policy period in excess of \$100,000, aggregate claims in excess of \$1,000,000, and maximum insurance coverage of \$1,000,000 per individual.

Changes in health and related benefits claims liabilities are as follows:

	<b>For the Year Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
Estimated liability, beginning of year	\$ 247,791	\$ 216,437
Current year claims and changes in estimate	3,350,897	2,957,103
Claim payments	(3,053,297)	(2,925,749)
<b>Estimated liability, end of year</b>	<b>\$ 545,391</b>	<b>\$ 247,791</b>

# CAPITAL AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

---

The Capital Area Transportation Authority is also a member of the Michigan Transit Pool Liability Trust Fund. This pool provides property and casualty insurance to member transportation authorities. Pool members may be subject to supplemental assessments in the event of deficiencies. The Authority has purchased additional insurance coverage in the amount of \$10,000,000 for excess liability.

The Authority purchases commercial insurance to cover other risks of loss.

### **B. Defined benefit pension plans**

#### **Union Employees' Pension Plan**

##### *Plan Membership*

Membership of the plan consisted of the following:

	<b>January 1,</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Retirees and beneficiaries receiving benefits	64	63
Terminated plan members entitled to but not yet receiving benefits	21	21
Active plan members	<u>184</u>	<u>184</u>
<b>Total</b>	<b><u>269</u></b>	<b><u>268</u></b>

##### *Plan Description*

The Authority administers the Union Employees' Pension Plan, a single-employer, defined benefit pension plan that covers substantially all union employees with at least 90 days and 1,000 hours of service. Benefit provisions are established and may be amended by the Authority's Board of Directors under the Capital Area Transportation Authority Retirement Plan (#001) subject to the terms of collective bargaining. The Board has delegated the authority to manage certain plan assets to Principal Life Insurance Company.

Benefits are 100% vested after 10 years of service. Authority employees who retire at or after age 59 are entitled to a monthly benefit equal to years of accrued service multiplied by scheduled rates as determined by the employee's retirement date. Early retirement is available on or after age 55 at a reduced monthly benefit. The plan also provides disability, single sum death and survivor annuity death benefits.

# CAPITAL AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

---

### *Contributions*

Each active participant is required to contribute \$56 per week to the plan through November 30, 2004, and \$59.50 per week to the plan from December 1, 2004 through November 30, 2005. The Authority is required to match all participant contributions (the aggregate annual contribution must meet or exceed the minimum funding standards of ERISA).

### *Actuarial Methods and Assumptions*

The required contribution was determined as part of the January 1, 2005 actuarial valuation using the entry age normal, frozen initial liability actuarial cost method. The actuarial value of assets was determined using contract values for insurances contracts and market value for other accounts. Significant actuarial assumptions used in the valuation include a) a rate of return on the investment of present and future assets of 6.75% compounded annually, b) mortality established with the 1983 Group Annuity Table (male) with projection, set back 6 years for females, c) expenses deducted from the fund according to expense scales in the service agreement, d) 15.81% withdrawal rate at age 20 graded down to 0% at age 55, and, e) no post-retirement benefit increases. Unfunded actuarial accrued liabilities are amortized using the level dollar method over a closed period. The remaining amortization period is 16 years.

### **Administrative Employees' Pension Plan**

#### *Plan Membership*

Membership of the plan consisted of the following:

	<b>January 1,</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Retirees and beneficiaries receiving benefits	-	-
Terminated plan members entitled to but not yet receiving benefits	11	14
Active plan members	<u>49</u>	<u>45</u>
<b>Total</b>	<b><u>60</u></b>	<b><u>59</u></b>

# CAPITAL AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

---

### *Plan Description*

The Authority administers the Administrative Employees' Pension Plan, a single-employer, defined benefit pension plan that covers substantially all administrative employees with at least six months of service. Benefit provisions are established and may be amended by the Authority's Board of Directors under the Capital Area Transportation Authority Retirement Plan (#002) subject to the terms of collective bargaining. The Board has delegated the authority to manage certain plan assets to Principal Life Insurance Company.

Benefits are 100% vested after 10 years of service. Authority employees who retire at or after age 59 are entitled to a monthly benefit equal to 70% of the average compensation multiplied by the accrued benefit adjustment and the short service percentage. Early retirement is available on or after age 55 at a reduced monthly benefit. The plan also provides disability, single sum death and survivor annuity death benefits.

### *Contributions*

The active participants are required to contribute 5% of their compensation paid per month. The Authority is required to contribute the remaining amounts necessary to fund the plan using an actuarial basis specified by statute (the aggregate annual contribution must meet or exceed the minimum funding standards of ERISA).

### *Actuarial Methods and Assumptions*

The required contribution was determined as part of the January 1, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial value of assets was determined using contract values for insurances contracts and market value for other accounts. Significant actuarial assumptions used in the valuation include: a) a rate of return on the investment of present and future assets of 6.75% a year compounded annually, b) mortality established with 1983 Group Annuity Table (male) with projection, set back 6 years for females, c) expenses are deducted from the fund according to expense scales in the service agreement, d) 15.81% withdrawal rate at age 20 graded down to 0% at age 55, and e) projected salary increases are based on Table S-5 from the Actuary's Pension Handbook plus 3.00%. Unfunded actuarial accrued liabilities are amortized using the level dollar method over a closed period. The weighted average remaining amortization period is 20 years.



# CAPITAL AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### Financial Statements for individual pension plans

#### Pension Net Assets

	Union Plan		Administrative Plan		Totals	
	2004	2003	2004	2003	2004	2003
<b>Assets</b>						
Investments in insurance contracts	\$ 13,019,262	\$ 11,854,674	\$ 8,743,503	\$ 8,104,150	\$ 21,762,765	\$ 19,958,824
Accounts receivable	-	-	516,385	417,721	516,385	417,721
<b>Total assets</b>	<u>13,019,262</u>	<u>11,854,674</u>	<u>9,259,888</u>	<u>8,521,871</u>	<u>22,279,150</u>	<u>20,376,545</u>
<b>Net assets held in trust for pension benefits</b>	<u>\$ 13,019,262</u>	<u>\$ 11,854,674</u>	<u>\$ 9,259,888</u>	<u>\$ 8,521,871</u>	<u>\$ 22,279,150</u>	<u>\$ 20,376,545</u>

#### Changes in Pension Net Assets

<b>Additions</b>						
Investment income:						
Contract investment income	\$ 574,870	\$ 596,432	\$ 381,337	\$ 417,489	\$ 956,207	\$ 1,013,921
Net appreciation in fair value of investments	164,616	25,143	172,452	21,413	337,068	46,556
Net investment income	<u>739,486</u>	<u>621,575</u>	<u>553,789</u>	<u>438,902</u>	<u>1,293,275</u>	<u>1,060,477</u>
Contributions:						
Employer	528,018	532,506	516,385	417,721	1,044,403	950,227
Plan members	528,049	532,506	115,698	112,868	643,747	645,374
Total contributions	<u>1,056,067</u>	<u>1,065,012</u>	<u>632,083</u>	<u>530,589</u>	<u>1,688,150</u>	<u>1,595,601</u>
Total additions	<u>1,795,553</u>	<u>1,686,587</u>	<u>1,185,872</u>	<u>969,491</u>	<u>2,981,425</u>	<u>2,656,078</u>
<b>Deductions</b>						
Participant benefits	606,797	565,153	427,419	176,505	1,034,216	741,658
Administrative expenses	<u>24,168</u>	<u>27,378</u>	<u>20,436</u>	<u>18,810</u>	<u>44,604</u>	<u>46,188</u>
Total deductions	<u>630,965</u>	<u>592,531</u>	<u>447,855</u>	<u>195,315</u>	<u>1,078,820</u>	<u>787,846</u>
Net additions (deductions) to net assets held in trust	1,164,588	1,094,056	738,017	774,176	1,902,605	1,868,232
<b>Net assets held in trust for pension benefits:</b>						
Beginning of year, as restated	<u>11,854,674</u>	<u>10,760,618</u>	<u>8,521,871</u>	<u>7,747,695</u>	<u>20,376,545</u>	<u>18,508,313</u>
End of year	<u>\$ 13,019,262</u>	<u>\$ 11,854,674</u>	<u>\$ 9,259,888</u>	<u>\$ 8,521,871</u>	<u>\$ 22,279,150</u>	<u>\$ 20,376,545</u>

# **CAPITAL AREA TRANSPORTATION AUTHORITY**

## **Notes to Financial Statements**

---

### **C. Post Retirement Benefits**

In addition to the pension benefits described in Note B, the Authority provides post retirement health care and life insurance benefits to all employees who retire from the Authority after obtaining age 59 under provisions established in union and administrative contracts. Benefits covered 49 retirees and 37 beneficiaries for the year ended September 30, 2005 and 52 retirees and 35 beneficiaries for the year ended September 30, 2004. The Authority provides \$10,000 life insurance benefit for all retirees who retired after December 1, 1986 and \$15,000 for all administrative retirees after January 1, 1996. The Authority provides health care coverage for all eligible retirees from ages 59 to 65. Beyond age 65, medical coverage is provided in the form of a Medicare complementary coverage. For the year ended September 30, 2005 and 2004, expenses for post-retirement life insurance coverage were \$19,360 and \$20,771, respectively, and expenses for post-retirement health care coverage were \$403,398 and \$299,581, respectively. These benefits are financed on a pay-as-you-go basis.

### **D. Commitments and Contingencies**

On September 21, 2005, the Authority entered into an agreement in the amount of \$3,466,800 with Moore Trosper Construction Company for the addition and remodeling of the administrative office building. As of September 30, 2005, the Authority had not incurred any costs for the project.

Bus tires are to be furnished to the Authority under the terms of a supplier agreement effective July 1, 2003, which expires June 30, 2008 and is renewable on a year to year basis. Payments for the use of the tires are to be made monthly and are based on the number of miles run. Bus tire expense for the year ended September 30, 2005 and 2004 was \$141,623 and \$91,031.

### **E. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

The Authority is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Authority's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

# **CAPITAL AREA TRANSPORTATION AUTHORITY**

## **Notes to Financial Statements**

---

### **F. Cost Allocation Plan**

The Authority has a cost allocation plan for all allocated expenses. The allocation plan was approved by the Michigan Department of Transportation, Bureau of Urban and Public Transportation, Bus Transit Division. The plan has been adhered to in the preparation of the financial statements.

### **G. Restatements**

For the years ended December 31, 2004 and 2003, beginning net assets of the Administrative Employees' Pension Plan were increased by \$417,721 and \$389,922, respectively, to accrue required contributions received by the plan subsequent to year end.

\* \* \* \* \*

## REQUIRED SUPPLEMENTARY INFORMATION

**Capital Area Transportation Authority**  
**Union Employees' Retirement Plan**  
**Required Supplementary Information**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Accrued Liability (B)</b>	<b>Underfunded AAL (UAAL) (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a % of Covered Payroll ((B-A)/C)</b>
12/31/1999	\$ 4,523,872	\$ 7,759,514	\$ 3,235,642	58.3%	\$ 7,820,000	41.4%
12/31/2000	3,827,273	7,112,431	3,285,158	53.8%	9,160,000	35.9%
12/31/2001	4,983,351	7,881,876	2,898,525	63.2%	9,740,000	29.8%
12/31/2002	5,622,377	8,229,826	2,607,449	68.3%	10,300,000	25.3%
12/31/2003	6,950,751	10,478,614	3,527,863	66.3%	8,159,347	43.2%
12/31/2004	8,260,313	11,990,334	3,730,021	68.9%	9,080,048	41.1%

\* Actuarial value of assets excludes the amount set aside for the retired lives guaranteed in the "floor" option of the IPG contract.

**Schedule of Employer Contributions**

<b>Year Ended December 31,</b>	<b>Annual Required Contributions</b>	<b>Percentage Contributed</b>
1999	\$ 308,035	100.0%
2000	397,670	100.0%
2001	434,192	100.0%
2002	481,997	100.0%
2003	532,506	100.0%
2004	528,018	100.0%

**Capital Area Transportation Authority  
Administrative Employees' Retirement Plan  
Required Supplementary Information**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets* (A)</b>	<b>Actuarial Accrued Liability (B)</b>	<b>Underfunded AAL (UAAL) (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a % of Covered Payroll ((B-A)/C)</b>
12/31/1999	\$ 4,051,297	\$ 4,537,818	\$ 486,521	89.3%	\$ 1,699,739	28.6%
12/31/2000	4,283,955	4,760,717	476,762	90.0%	1,656,500	28.8%
12/31/2001	5,425,247	6,268,202	842,955	86.6%	1,910,099	44.1%
12/31/2002	6,330,615	7,155,752	825,137	88.5%	1,939,012	42.6%
12/31/2003	6,968,603	8,068,629	1,100,026	86.4%	2,051,153	53.6%
12/31/2004	7,204,737	8,278,606	1,073,869	87.0%	2,320,612	46.3%

\* Actuarial value of assets excludes the amount set aside for the retired lives guaranteed in the "floor" option of the IPG contract.

**Schedule of Employer Contributions**

<b><u>Year Ended December 31,</u></b>	<b><u>Annual Required Contributions</u></b>	<b><u>Percentage Contributed</u></b>
1999	\$ 242,656	100.0%
2000	364,470	100.0%
2001	329,624	100.0%
2002	389,922	100.0%
2003	417,721	100.0%
2004	516,385	100.0%

## SUPPLEMENTARY INFORMATION

**Capital Area Transportation Authority**  
**Schedule of Operating Expenses**

	For the Year Ended September 30, 2005			
	<u>Operations</u>	<u>Maintenance</u>	<u>Administration</u>	<u>Total</u>
Labor:				
Operator salaries and wages	\$ 8,528,681	\$ -	\$ -	\$ 8,528,681
Other salaries and wages	1,413,903	1,634,494	988,191	4,036,588
Fringe benefits	6,289,788	1,162,639	776,630	8,229,057
Purchased services:				
Advertising	-	-	330,451	330,451
Other	70,299	281,625	1,022,097	1,374,021
Materials and supplies consumed:				
Fuel and lubricants	1,628,481	34,255	-	1,662,736
Tires and tubes	139,365	2,258	-	141,623
Other materials and supplies	35,400	892,148	235,669	1,163,217
Utilities	6,355	5,236	394,523	406,114
Casualty and liability costs:				
Premiums for public liability and property damage insurance	-	-	817,213	817,213
Other casualty and liability costs	-	117,616	-	117,616
Purchased transportation services	3,036,729	-	-	3,036,729
Miscellaneous expenses	23,572	9,517	146,270	179,359
Interest	-	-	367,928	367,928
Leases and rentals	3,244	-	27,520	30,764
Depreciation	<u>2,660,767</u>	<u>263,648</u>	<u>1,083,100</u>	<u>4,007,515</u>
Total operating expenses	<u>\$ 23,836,584</u>	<u>\$ 4,403,436</u>	<u>\$ 6,189,592</u>	<u>\$ 34,429,612</u>



**For the Year Ended September 30, 2004**

<b>Operations</b>	<b>Maintenance</b>	<b>Administration</b>	<b>Total</b>
\$ 8,062,598	\$ -	\$ -	\$ 8,062,598
1,375,133	1,569,413	985,049	3,929,595
5,620,601	1,075,829	710,958	7,407,388
-	-	351,684	351,684
112,278	289,044	941,140	1,342,462
1,096,815	32,309	-	1,129,124
89,716	1,315	-	91,031
23,923	738,968	295,202	1,058,093
7,669	5,024	349,717	362,410
-	-	1,429,215	1,429,215
-	150,990	-	150,990
2,883,482	-	-	2,883,482
38,645	8,727	164,137	211,509
-	-	487,130	487,130
3,300	3,881	17,227	24,408
2,898,597	233,786	892,551	4,024,934
<u>\$ 22,212,757</u>	<u>\$ 4,109,286</u>	<u>\$ 6,624,010</u>	<u>\$ 32,946,053</u>

**Capital Area Transportation Authority**  
**Schedule of Non-Operating Revenues**  
**For the Years Ended September 30, 2005 and 2004**

	<b>2005</b>	<b>2004</b>
<b>Local non-operating revenues:</b>		
Property tax levy	\$ 11,468,682	\$ 10,837,462
Single business tax inventory reimbursement	110,074	109,970
Ingham County - county wide service	2,500,000	2,450,000
Property management fees	199,000	199,000
Insurance participation fees	112,510	82,365
Gain on sale of assets	11,489	24,301
	<hr/>	<hr/>
Total local non-operating revenues	14,401,755	13,703,098
	<hr/>	<hr/>
<b>State of Michigan operating grants:</b>		
Operating grant (Act 51) 1994 (urban)	9,058,380	9,215,255
Operating grant (Act 51) 1994 (rural)	399,128	452,148
Operating grants - other	107,963	186,258
Preventive maintenance	-	106,731
Section 9 planning	812	19,477
Local ride share program	-	24,046
Operating portion of capital grants	4,360	16,122
Specialized services assistance	69,525	76,080
Ingham county service	6,871	18,120
State grant adjustments	135,908	(49,104)
	<hr/>	<hr/>
Total State of Michigan operating grants	9,782,947	10,065,133
	<hr/>	<hr/>
<b>Federal operating grants:</b>		
U.S. Department of Transportation, operating grant - Section 5311	113,725	106,753
Preventive maintenance	612,000	426,924
Adjustments on closed projects	-	2,047
Local ride share program	-	21,931
Operating portion of capital grants	17,442	64,489
Section 9 planning	150,729	155,818
Other federal revenue	421,704	520,086
	<hr/>	<hr/>
Total federal operating grants	1,315,600	1,298,048
	<hr/>	<hr/>
<b>Interest Income</b>	224,565	69,330
	<hr/>	<hr/>
<b>Total non-operating revenues</b>	<u><u>\$ 25,724,867</u></u>	<u><u>\$ 25,135,609</u></u>

**Capital Area Transportation Authority**  
**Schedule of Expenses by Contract and General Operations**  
**For the Year Ended September 30, 2005**

	<u>Special Services</u>	<u>Planning</u>	<u>Technology Program</u>	<u>Project Zero</u>	<u>Capital Grant</u>	<u>General Operations</u>	<u>Total</u>
Labor	\$ -	\$ 89,605	\$ -	\$ 1,486	\$ -	\$ 12,474,178	\$ 12,565,269
Fringe benefits	-	54,399	-	961	-	8,173,697	8,229,057
Purchased services:							
Advertising	-	-	-	110	-	330,341	330,451
Other	-	8,351	127,362	446	-	1,237,862	1,374,021
Materials and supplies	-	-	-	115	633,803	2,333,658	2,967,576
Utilities	-	-	-	151	-	405,963	406,114
Casualty and liability costs	-	-	-	40	-	934,789	934,829
Purchased transportation services	156,501	-	-	5,866	-	2,874,362	3,036,729
Miscellaneous expenses	-	-	-	48	-	179,311	179,359
Interest	-	-	-	-	367,928	-	367,928
Leases and rentals	-	-	-	16	-	30,748	30,764
Depreciation	-	-	-	6	-	4,007,509	4,007,515
Total operating expenses	<u>\$ 156,501</u>	<u>\$ 152,355</u>	<u>\$ 127,362</u>	<u>\$ 9,245</u>	<u>\$ 1,001,731</u>	<u>\$ 32,982,418</u>	<u>\$ 34,429,612</u>

**Capital Area Transportation Authority**  
**Schedule of Computations of Net Eligible Costs for General Operations**

	<b>Year Ended September 30, 2005</b>		<b>Year Ended September 30, 2004</b>	
	<b>Federal Operating Assistance</b>	<b>State Operating Assistance</b>	<b>Federal Operating Assistance</b>	<b>State Operating Assistance</b>
<b><u>Section 5307 and Act 51 (Urban)</u></b>				
General operating expenses	\$ 32,982,418	\$ 32,982,418	\$ 31,185,906	\$ 31,185,906
Less ineligible expenses:				
Miscellaneous	12,538	12,538	19,696	19,696
Depreciation	3,921,269	3,921,269	3,922,393	3,922,393
Section 18 operating expenses	1,050,422	1,050,422	1,070,512	1,070,512
	<u>4,984,229</u>	<u>4,984,229</u>	<u>5,012,601</u>	<u>5,012,601</u>
Net eligible expenses	27,998,189	<u>27,998,189</u>	26,173,305	<u>26,173,305</u>
Less project revenue:				
Fairbox	<u>3,677,644</u>		<u>3,483,693</u>	
Net expenses - federal	<u>\$ 24,320,545</u>		<u>\$ 22,689,612</u>	
Maximum federal reimbursement (50%)	<u>\$ 12,160,273</u>		<u>\$ 11,344,806</u>	
Maximum state reimbursement (50%)		<u>\$ 13,999,095</u>		<u>\$ 13,086,653</u>
<b><u>Section 5311 and Act 51 (Rural)</u></b>				
General operating expenses	\$ 1,050,422	<u>\$ 1,050,422</u>	\$ 1,070,512	<u>\$ 1,070,512</u>
Less project revenue:				
Fairbox	<u>68,376</u>		<u>61,329</u>	
Net expenses - federal	<u>\$ 982,046</u>		<u>\$ 1,009,183</u>	
Maximum federal reimbursement (60%)	<u>\$ 589,228</u>		<u>\$ 605,510</u>	
Maximum state reimbursement (60%)		<u>\$ 630,253</u>		<u>\$ 642,307</u>
Federal funding (10.95%)	<u>\$ 115,021</u>		<u>\$ 117,221</u>	

**Capital Area Transportation Authority**  
**Mileage Data**  
**(Unaudited)**

	<b>Year Ended September 30, 2005</b>		<b>Year Ended September 30, 2004</b>	
	<b>Public Transportation Mileage</b>	<b>Purchased Transportation Mileage</b>	<b>Public Transportation Mileage</b>	<b>Purchased Transportation Mileage</b>
Linehaul:				
1st quarter	860,055		859,042	
2nd quarter	852,280		838,953	
3rd quarter	750,372		750,066	
4th quarter	722,860		765,943	
	<hr/>		<hr/>	
Total linehaul	3,185,567		3,214,004	
	<hr/>		<hr/>	
Demand response:				
1st quarter	169,488	497,589	159,796	470,239
2nd quarter	160,952	519,910	162,028	496,757
3rd quarter	180,109	498,304	175,067	489,111
4th quarter	177,733	481,143	174,992	483,263
	<hr/>	<hr/>	<hr/>	<hr/>
Total demand response	688,282	1,996,946	671,883	1,939,370
	<hr/>	<hr/>	<hr/>	<hr/>
Total operation	3,873,849	1,996,946	3,885,887	1,939,370
	<hr/>	<hr/>	<hr/>	<hr/>

## SINGLE AUDIT

**Capital Area Transportation Authority**  
**Schedule of Expenditures of Grant Awards**  
**For the Year Ended September 30, 2005**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor Number	State Grantor Number	Program or Award Amount	Federal Receipts	State Receipts	Expenditures (Revenues)	Amount Remaining
<u>U.S. Department of Transportation</u>								
Direct Assistance (Federal Transit Cluster):								
UMTA Capital Assistance -FY99 s-5307	20.500	MI-90-0310		\$ 3,328,213	\$ 49,291	\$ -	\$ 49,291	\$ -
UMTA Capital Assistance -FY03 s-5309	20.500	MI-03-0191		991,244	25,910	-	25,909	-
UMTA Capital Assistance -FY04 s-5309	20.500	MI-03-0210		2,427,185	298,597	-	300,946	2,126,239
UMTA Capital Assistance -FY05 s-5309	20.500	MI-03-0217		4,130,057	87,641	-	109,552	4,020,505
UMTA Capital Assistance -FY97 s-5307	20.507	MI-90-0269		2,892,368	20,228	-	3,196	-
UMTA Capital Assistance -FY01 s-5307	20.507	MI-90-0355		3,271,402	107,901	-	29,284	-
UMTA Capital Assistance -FY02 s-5307	20.507	MI-90-0376		3,846,748	238,521	-	169,450	-
UMTA Capital Assistance -FY03 s-5307	20.507	MI-90-X400		4,144,392	522,817	-	415,006	119,334
UMTA Capital Assistance -FY04 s-5307	20.507	MI-90-X427		4,062,673	720,442	-	819,831	1,529,093
UMTA Capital Assistance -FY05 s-5307	20.507	MI-90-X452		4,597,297	1,476,350	-	1,145,609	3,093,656
UMTA Capital Assistance -FY06 s-5307	20.507	MI-90-X491		-	-	-	324,742	-
				33,691,579	3,547,698	-	3,392,816	10,888,827
Passed through the Michigan Department of Transportation:								
Capital Assistance-Section -FY02 s-5313	20.515	MI-80-X010		60,000	17,684	-	-	-
Capital Assistance-Section -FY03 s-5313	20.515	MI-80-X012		95,667	19,997	-	6,373	-
Capital Assistance-Section -FY04 s-5313	20.515	MI-80-X013		48,000	24,000	-	24,000	24,000
Capital Assistance-Section -FY04 s-5310	20.515	MI-16-0029		122,400	120,876	-	120,876	1,524
				326,067	182,557	-	151,249	25,524
Total Federal Capital Assistance				34,017,646	3,730,255	-	3,544,065	10,914,351
<u>Michigan Department of Transportation</u>								
Direct Assistance:								
MDOT Capital Assistance -FY97 s-5307	N/A	97-0028		723,592	-	7,337	3,078	-
MDOT Capital Assistance -FY99 s-5307	N/A	99-0726		778,453	-	12,322	12,323	-
MDOT Capital Assistance -FY01 s-5307	N/A	2001-0562		817,851	-	36,202	7,321	-
MDOT Capital Assistance -FY02 s-5307	N/A	02-0024-Z04		955,187	-	79,665	48,634	-
MDOT Capital Assistance -FY02 s-5309	N/A	02-0024-Z09		546,500	-	5,382	-	-
MDOT Capital Assistance -FY02 s-5313	N/A	02-0024-Z03		15,000	-	4,418	-	-
MDOT Capital Assistance -FY03 s-5307	N/A	02-0024-Z11		1,035,098	-	330,732	103,685	29,834
MDOT Capital Assistance -FY03 s-5309	N/A	02-0024-Z12		246,770	-	29,227	6,477	-
MDOT Capital Assistance -FY03 s-5313	N/A	02-0024-Z10		23,917	-	4,999	1,593	-
MDOT Capital Assistance -FY04 s-5307	N/A	02-0024-Z17		1,015,668	-	608,134	203,714	383,518
MDOT Capital Assistance -FY04 s-5309	N/A	02-0024-Z20		606,796	-	60,328	75,237	531,559
MDOT Capital Assistance -FY04 s-5310	N/A	2004-0445		30,600	-	30,219	30,219	381
MDOT Capital Assistance -FY04 s-5313	N/A	02-0024-Z15		12,000	-	6,000	6,000	6,000
MDOT Capital Assistance -FY05 s-5307	N/A	02-0024-Z23		343,225	-	214,819	128,778	124,939
MDOT Capital Assistance -FY05 s-5309	N/A	02-0024-Z22		640,431	-	-	-	640,431
MDOT Capital Assistance -FY06 s-5307	N/A	02-0024-Zxx		-	-	-	81,186	-
Total State Capital Assistance				7,791,088	-	1,429,784	708,245	1,716,662
Total Capital Assistance				41,808,734	3,730,255	1,429,784	4,252,310	12,631,013
<u>U.S. Department of Transportation</u>								
Direct Assistance (Federal Transit Cluster):								
Operating Assistance - Section 9 Planning	20.507	MI-90-2427		128,000	6,500	-	6,500	-
Operating Assistance - Section 9 Planning	20.507	MI-90-2452		200,000	127,131	-	144,229	55,771
				328,000	133,631	-	150,729	55,771
Passed through the Michigan Department of Transportation:								
Operating Assistance-Section 18	20.509	02-0024-Z21		132,553	106,056	-	113,725	-
Operating Assistance-Section 18	20.509	02-0024-Z16		106,753	9,189	-	-	-
FHWA Rideshare	20.205	2004-0009		31,000	11,906	-	-	-
				270,306	127,151	-	113,725	-
Total Federal Operating Assistance				598,306	260,782	-	264,454	55,771

**Capital Area Transportation Authority**  
**Schedule of Expenditures of Grant Awards (Concluded)**  
**For the Year Ended September 30, 2005**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor Number	State Grantor Number	Program or Award Amount	Federal Receipts	State Receipts	Expenditures (Revenues)	Amount Remaining
<u>Michigan Department of Transportation</u>								
Direct Assistance:								
Operating Assistance - Act 51 (Urban)	N/A		FY 2005	\$ -	\$ -	\$ 430,358	\$ 399,128	\$ -
Operating Assistance - Act 51 (Rural)	N/A		FY 2005	-	-	9,349,239	9,058,380	-
Operating Assistance - Act 51 (Urban)	N/A		prior years	-	-	-	87,050	-
Operating Assistance - Act 51 (Rural)	N/A		prior years	-	-	-	70,156	-
Operating Assistance - Section 9 Planning -FY04	N/A		02-0024-Z17	16,000	-	812	812	-
Operating Assistance - Section 9 Planning -FY05	N/A		02-0024-Z23	-	-	-	-	-
FHWA Rideshare -FY04	N/A		2004-0009	32,800	-	13,042	-	-
Specialized Services -FY04	N/A		02-0024-Z13	76,080	-	43,199	-	-
Specialized Services -FY05	N/A		02-0024-Z19	69,525	-	33,687	69,525	-
Project Zero-Ingham County -FY04	N/A		02-0024-Z14	27,096	-	4,533	-	-
Project Zero-Transportation-To-Work -FY05	N/A		02-0024-Z18	11,250	-	5,043	6,871	-
Project Zero-Ingham County -FY01	N/A		2001-0309	294,021	-	(41,387)	-	-
Eaton County-Delta Late-Nite -FY99	N/A		99-0692	432,000	-	(10,565)	-	-
Total State Operating Assistance				958,772	-	9,827,961	9,691,922	-
Total Operating Assistance				1,557,078	260,782	9,827,961	9,956,376	55,771
Total Financial Assistance				\$ 43,365,812	\$ 3,991,037	\$ 11,257,745	\$ 14,208,686	\$ 12,686,784
Total Federal Financial Assistance				\$ 34,615,952	\$ 3,991,037	\$ -	\$ 3,808,519	\$ 10,970,122
Total State Financial Assistance				8,749,860	-	11,257,745	10,400,167	1,716,662
Total Financial Assistance				\$ 43,365,812	\$ 3,991,037	\$ 11,257,745	\$ 14,208,686	\$ 12,686,784





**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

December 13, 2005

To the Board of Directors of the  
Capital Area Transportation Authority  
Lansing, Michigan

We have audited the financial statements of the major fund and the aggregate remaining fund information of the ***Capital Area Transportation Authority***, as of and for the year ended September 30, 2005, and have issued our report thereon dated December 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Capital Area Transportation Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Capital Area Transportation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Capital Area Transportation Authority in a separate letter dated December 13, 2005.

This report is intended solely for the information and use of the Board of Directors, management, others in the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

December 13, 2005

To the Board of Directors of the  
Capital Area Transportation Authority  
Lansing, Michigan

### **Compliance**

We have audited the compliance of the *Capital Area Transportation Authority* with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2005. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2005.

## **Internal Control Over Compliance**

The management of the Capital Area Transportation Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to major federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting, compliance, and/or operating efficiency that we have reported to the management of the Capital Area Transportation Authority in a separate letter dated December 13, 2005.

This report is intended solely for the information and use of the Board of Directors, management, others in the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

**CAPITAL AREA TRANSPORTATION AUTHORITY**

**Schedule of Findings and Questioned Costs**

**For the Year Ended September 30, 2005**

---

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes   X   no

Reportable condition(s) identified  
not considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements  
noted? \_\_\_\_\_ yes   X   no

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes   X   no

Reportable condition(s) identified  
not considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported

Type of auditors' report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)? \_\_\_\_\_ yes   X   no

**CAPITAL AREA TRANSPORTATION AUTHORITY**

**Schedule of Findings and Questioned Costs (Concluded)**

**For the Year Ended September 30, 2005**

---

**SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)**

Identification of major programs:

<u><b>CFDA Number(s)</b></u>	<u><b>Name of Federal Program or Cluster</b></u>
20.500 & 20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
---	------------------

Auditee qualified as low-risk auditee?	<u>  X  </u> yes <u>      </u> no
--	-----------------------------------

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III – FEDERAL AWARD FINDING AND QUESTIONED COSTS**

None.

**SECTION IV – PRIOR YEAR FINDINGS**

No matters were reported.

\* \* \* \* \*



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



December 13, 2005

To the Board of Directors of the  
Capital Area Transportation Authority  
Lansing, Michigan

We have audited the financial statements of Capital Area Transportation Authority for the year ended September 30, 2005, and have issued our report thereon dated December 13, 2005. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated November 18, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the Capital Area Transportation Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Capital Area Transportation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Capital Area Transportation Authority's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the Capital Area Transportation Authority's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Capital Area Transportation Authority's compliance with those requirements.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Capital Area Transportation Authority are described in Note 1 to the financial statements. For the year ended September 30, 2005, the Authority implemented the provision of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. We noted no transactions entered into by the Capital Area Transportation Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the liability for uninsured risks of loss, including incurred but not reported claims. We evaluated the key factors and assumptions used to develop the estimate in determining that they are reasonable in relation to the financial statements taken as a whole.

**Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Capital Area Transportation Authority's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Capital Area Transportation Authority, either individually or in the aggregate, indicate matters that could have a significant effect on the Capital Area Transportation Authority's financial reporting process.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



**Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Capital Area Transportation Authority’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

# **Capital Area Transportation Authority**

## **Comments and Recommendations**

**For the Year Ended September 30, 2005**

---

During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated December 13, 2005, on the financial statements of the Capital Area Transportation Authority.

### **Credit Card Policy**

The Authority currently utilizes credit cards primarily for travel and meeting purposes. The Authority has written procedures for credit card use; however, the written document does not include all the provisions as required by P.A. 266 of 1995 (MCL 129.241-247). We recommend that the Authority incorporate all of the provisions of P.A. 266 in order to assure compliance.

### **Journal Entry Review Process**

As a part of our audit procedures, we examined various journal entries to comply with the new Statement of Auditing Standards (SAS) 99 requirements. Currently, journal entries are prepared and entered into the accounting system by one individual with no formal review process. In order to strengthen controls, we recommend that the Authority institute control procedures to provide formal review and documentation of such review on at least a monthly basis.

\* \* \* \* \*